

## Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 237886  
ORIGIN EB-08

INFO OCT-01 EA-10 ISO-00 CAB-02 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 NSC-05  
SS-15 /051 R

DRAFTED BY EB/OA/AVP:GGRIFFITHS:SP  
APPROVED BY EB/OA:MHSTYLES  
EB/OA/AVP:AJWHITE  
EA/PHL:JSARTORIUS  
L/EB:PMICKEY  
COM/BIEPR:EGRAUMAN

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-----031178 040716Z /21

R 032130Z OCT 77  
FM SECSTATE WASHDC  
TO AMEMBASSY MANILA

LIMITED OFFICIAL USE STATE 237886

E.O. 11652: N/A

TAGS: EAIR, RP

SUBJECT: CIVAIR: DISCRIMINATORY JET FUEL PRICING

REF: A) MANILA 13763 B) STATE 181472

1. FOLLOWING IS DRAFT TEXT FOR EXCHANGE OF NOTES AS  
REQUESTED REF A.

QUOTE: "EXCELLENCY: I HAVE THE HONOR TO REFER TO RECENT  
CONVERSATIONS BETWEEN REPRESENTATIVES OF THE UNITED STATES  
OF AMERICA AND REPRESENTATIVES OF THE GOVERNMENT OF THE  
PHILIPPINES CONCERNING THE POSSIBILITY OF GRANTING ON A  
RECIPROCAL BASIS EXEMPTION FROM THE PAYMENT OF TAXES ON  
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PAGE 02 STATE 237886

REFINED PETROLEUM PRODUCTS BY AIRCRAFT OF UNITED STATES OR  
PHILIPPINE REGISTRY ENGAGED IN INTERNATIONAL AIR SERVICE.

I PROPOSE AN EXCHANGE OF NOTES BETWEEN OUR TWO GOVERNMENTS  
ALONG THE FOLLOWING LINES:

1. EACH CONTRACTING PARTY SHALL EXEMPT THE AIRLINES OF THE

OTHER CONTRACTING PARTY ON THE BASIS OF RECIPROCITY FROM  
NATIONAL EXCISE TAXES ON FUELS AND LUBRICATING OILS USED IN  
  
INTERNATIONAL AIR SERVICES.

2. EITHER CONTRACTING PARTY MAY AT ANY TIME GIVE NOTICE  
IN WRITING TO THE OTHER CONTRACTING PARTY OF ITS DECISION  
TO TERMINATE THIS AGREEMENT. THIS AGREEMENT SHALL  
TERMINATE ONE YEAR AFTER THE DATE OF RECEIPT OF THE  
NOTICE BY THE OTHER CONTRACTING PARTY, UNLESS THE NOTICE  
IS WITHDRAWN BY AGREEMENT BEFORE THE END OF THIS PERIOD.

THE GOVERNMENT OF THE UNITED STATES WILL CONSIDER THIS  
NOTE, TOGETHER WITH YOUR EXCELLENCY'S NOTE OF REPLY  
CONFIRMING AGREEMENT OF THE TERMS OUTLINED ABOVE, TO  
CONSTITUTE AN AGREEMENT BETWEEN OUR TWO GOVERNMENTS."  
UNQUOTE

2. DEPARTMENT UNAWARE WHETHER OR NOT SPECIAL FUND TAX  
IS DEFINED AS EXCISE TAX, OR OTHER TYPE TAX. IF TAX  
DEFINED BY PHILIPPINES AS OTHER THAN EXCISE TAX, EMBASSY  
SHOULD SUBSTITUTE CORRECT TERMINOLOGY IN APPROPRIATE  
PLACES IN DRAFT TEXT.

3. FYI ONLY: REF B DISCUSSED POSSIBLE CUTOFF OF  
FOREIGN AIRLINES' ACCESS TO DOMESTIC FUEL IN U.S. IN CASE  
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PAGE 03 STATE 237886

OF DISCRIMINATION BY THE FOREIGN COUNTRY AGAINST AMERICAN  
AIRLINES. CONTROL OF DOMESTIC JET FUEL IS ACCOMPLISHED  
THROUGH FEA FUEL ALLOCATION PROGRAM. HOWEVER, DECONTROL  
OF JET FUEL PRICES SEEMS VERY LIKELY IN EARLY 1978.  
DECONTROL OF PRICES WOULD MEAN THE ELIMINATION OF THE  
ENTIRE ALLOCATION PROGRAM, AND WITH IT THE ABILITY TO  
WITHHOLD DOMESTIC FUEL SUPPLIES FROM FOREIGN AIRLINES.  
DEPARTMENT WOULD HOPE TO RESOLVE THIS TAX ISSUE WITH  
THE PHILIPPINES BEFORE LOSING ONE OF ITS MAIN AVENUES  
OF COUNTERBALANCING ACTION. END FYI.

4. DEPARTMENT EMPHASIZES THAT DRAFT TEXT IS FOR  
PURPOSES OF DISCUSSION ONLY, I.E. THIS IS TYPE OF  
LANGUAGE WHICH HAS BEEN USED IN SIMILAR AGREEMENTS WITH  
OTHER COUNTRIES. AUTHORITY TO NEGOTIATE SUCH AGRMENT  
REQUIRES A CIRCULAR 175. FORMAL REQUEST FOR  
AUTHORITY TO NEGOTIATE NOW BEING CIRCULATED WITHIN  
DEPARTMENT. WILL ADVISE EMBASSY SOONEST WHEN AUTHORITY  
OBTAINED. CHRISTOPHER

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DISCRIMINATION, JET FUEL, PRICES, DIPLOMATIC NOTES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 03-Oct-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE237886  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** GGRIFFITHS:SP  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770361-0206  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:** n/a  
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**Legacy Key:** link1977/newtext/t19771099/aaaadgij.tel  
**Line Count:** 113  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 112a7538-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 MANILA 13763, 77 STATE 181472  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 24-Feb-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1051834  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CIVAIR: DISCRIMINATORY JET FUEL PRICING  
**TAGS:** EAIR, RP  
**To:** MANILA  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/112a7538-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
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EO Systematic Review  
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